SaskTel

Financial Statements of

NAVIGATA HOLDING INC.

December 31, 2002

president's message

Navigata Holding, Inc. is a wholly owned subsidiary of Saskatchewan Telecommunications Investments Inc. which is in turn wholly owned by Saskatchewan Telecommunications Holding Corporation (SaskTel). Navigata Holding, Inc. is a holding corporation that owns 100% of Navigata Communications Inc. (Navigata), a Vancouver, B.C. based telecommunications company.

Navigata is an established entity that has operated a telecommunications business in Canada for more than 40 years. It provides a full range of telecommunications products and services including local, long distance, internet, phone cards (pre-paid and post-paid), high speed data, web services, hosting and wholesale carrier services to customers across Canada and internationally.

Navigata is a marketing and sales vehicle for SaskTel to expand its services to markets outside Saskatchewan. It also provides carrier services to SaskTel to assist SaskTel in providing services to its Saskatchewan based customers that have operations elsewhere in Canada and North America. Navigata has product sets that SaskTel had not yet developed internally, including wholesale carrier and card service businesses.

Navigata and SaskTel are pursuing significant operational synergies that will enhance the profitability of both organizations. Joint product initiatives, cross selling, geographic reach, and shared technical, financial, legal, human resource and marketing resources are a few of the many synergistic values offered through this strategic relationship.

Navigata has not been profitable in the first 16 months of SaskTel ownership. However, it currently provides $6 million in annual cost savings to SaskTel's Saskatchewan operations, balancing Navigata's operating losses for a reduced net cost to SaskTel in 2002. Since SaskTel became its owner, Navigata has focused on: i) reorganizing its operations to fit within the SaskTel structure and business model; ii) developing a stronger sales and marketing engine to create and sustain growth; and iii) forming plans to capture synergies with SaskTel and related companies. Several organizational changes have been implemented in the past year to prepare Navigata for the future. Significant events include: hiring a new President and Chief Executive Officer, Vice President of Sales, and Vice President of Marketing; reorganizing and redistributing workload; investing in training and technology to streamline processes; and integrating with SaskTel's network and management hierarchy.

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In 2003 Navigata will introduce new products and services to its customers. New technologies, including Voice over Internet Protocol (VoIP) and Wireless Broadband, will reduce the corporation's cost structure and reliance on third party carriers in providing services to customers. Navigata also anticipates the organizational changes made in 2002 to increase sales and reduce costs, resulting in profitability.

Products and services

Navigata provides a wide range of telecommunications products and services available in its operating territories of Ontario, Quebec, Alberta and British Columbia. They also provide wholesale carrier services globally.

Data products include Frame Relay, IP VPN, Security Products, Private Line, E-Net, and Customer Traffic Utilization Reports. Internet products are Internet Access, Hosting, Data Centre Co-location, and Customer Traffic Utilization Reports. Voice solutions are Long Distance, Toll-Free, Local Services (Business Lines, Trunks, Voice PRI's and Voicemail), Travel Cards, Teleconferencing, Bill Analysis Software and Prepaid Cards. Navigata also provides carrier services to telecommunications companies in Canada, the United States and world-wide.

2002 Results

Operating revenues were $50.7 million compared to $17.3 million in 2001. However, while 2002 results reflect a full year of operations, 2001 results only show four months of operations since the purchase of Navigata occurred on August 31, 2001. If 2001 results are adjusted to reflect the shorter time period, revenues actually dropped on a per month basis by an average of $105,000 per month in 2002 as compared to 2001. Revenues declined early in 2002 due to the loss of a major carrier customer early in the year. These monthly revenues were fully replaced by the end of the year, with the trend towards significantly increased revenues for 2003.

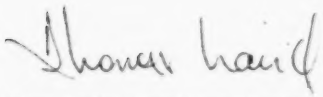
Gross margin percentage increased from 34.2% in 2001 to 41.9% in 2002. This is due to increased margins on telecommunications services.

Operating expenses increased from $6.7 million in the four month period in 2001 to $26.6 million in the full year in 2002. On a per month basis, the increase was $546,000. This increase is due to increased costs for sales and marketing efforts and employee severance costs related to corporate reorganization.

The net loss for the full year in 2002 was $11.0 million, or $8.5 million higher than the four month period in 2001. On a per month basis, the average loss increased by $296,000. The increased monthly loss was a result of increased monthly operating expenses exceeding the effect of increased gross margins.

Navigata received $14.0 million of funding from SaskTel as share capital and reduced its cash balance from $3.7 million to $1.7 million in 2002. The $16 million was used as follows: $7.9 million to fund operating activities and working capital; $2.3 million to repay obligations under capital leases; and $5.8 million to acquire a business and fund purchases of property, plant and equipment.

Since the purchase of Navigata by SaskTel in August, 2001, the company has been in transition. Navigata is now positioned to provide profitable growth to SaskTel in 2003 and future years.



Tom Laird, President, Navigata Communications

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AUDITORS' REPORT

To the Members of the Legislative Assembly, Province of Saskatchewan

We have audited the consolidated statement of financial position of Navigata Holding, Inc. as at December 31, 2002 and the consolidated statements of operations, deficit and cash flows for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 2002 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The comparative figures for December 31, 2001 were reported on by another firm of chartered accountants.

KPMG LLP
Chartered Accountants

Regina, Canada
January 15, 2003

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is the Canadian member firm of KPMG International, a Swiss nonoperating association.

NAVIGATA HOLDING, INC.

CONSOLIDATED STATEMENT OF OPERATIONS

For the year (comparative period – 7½ months) ended December 31 (Thousands of dollars)	**2002**	2001
Operating revenues	**$ 50,722**	$ 17,329
Inter-carrier and other costs of sales	**29,474**	11,395
Gross margin	**21,248**	5,934
Operating expenses		
Operating expenses	**26,581**	6,677
Depreciation and amortization	**4,478**	1,327
	31,059	8,004
Loss from operations	**(9,811)**	(2,070)
Interest expense	**1,269**	437
Interest and other income	**(90)**	(65)
Loss before income taxes	**(10,990)**	(2,442)
Provision for income taxes (Note 11)	**15**	42
Net loss	**$ (11,005)**	$ (2,484)

CONSOLIDATED STATEMENT OF DEFICIT

For the year (comparative period – 7½ months) ended December 31 (Thousands of dollars)	**2002**	2001
Deficit, beginning of period	**$ (2,484)**	$ -
Net loss	**(11,005)**	(2,484)
Deficit, end of period	**$ (13,489)**	$ (2,484)

See Accompanying Notes

NAVIGATA HOLDING, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at December 31 (Thousands of dollars)	**2002**	2001
Assets		
Current assets		
Cash	**$ 1,664**	$ 3,727
Accounts receivable	**8,040**	6,515
Prepaid expenses	**524**	356
	10,228	10,598
Property, plant and equipment (Note 5)	**34,816**	34,217
Intangible assets (Note 6)	**1,037**	348
	$ 46,081	$ 45,163
Liabilities and shareholder's equity		
Current liabilities		
Accounts payable and accrued liabilities	**$ 10,789**	$ 8,977
Deferred revenues	**3,586**	4,982
Current portion of capital lease obligations (Note 7)	**2,683**	2,341
	17,058	16,300
Capital lease obligations (Note 7)	**8,316**	10,943
Accrued employee benefit liability (Note 8)	**196**	404
	25,570	27,647
Shareholder's equity		
Share capital (Note 9)	**34,000**	20,000
Deficit	**(13,489)**	(2,484)
	20,511	17,516
	$ 46,081	$ 45,163

See Accompanying Notes

ON BEHALF OF THE BOARD

Director

Director

NAVIGATA HOLDING, INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

For the year (comparative period – 7½ months) ended December 31 (Thousands of dollars)	**2002**	**2001**
Cash provided by (used in):		
Operating activities		
Net loss	**$ (11,005)**	$ (2,484)
Items not affecting cash from operations (Note 12)	**4,257**	1,331
Net change in non-cash working capital items (Note 13)	**(1,211)**	1,529
	(7,959)	376
Financing activities		
Repayment of obligations under capital leases	**(2,312)**	(525)
Share capital	**14,000**	20,000
	11,688	19,475
Investing activities		
Business acquisition (Note 4)	**(536)**	(16,720)
Cash assumed with business acquisition	**-**	2,580
Property, plant and equipment expenditures	**(4,856)**	(1,626)
Intangible assets	**(400)**	(358)
	(5,792)	(16,124)
(Decrease) increase in cash during the year	**(2,063)**	3,727
Cash, beginning of period	**3,727**	-
Cash, end of period	**$ 1,664**	$ 3,727
Income taxes paid	**$ 132**	$ 47
Interest paid	**$ 1,261**	$ 434
Interest received	**$ 64**	$ -

See Accompanying Notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 1 -- The Corporation

Navigata Holding, Inc. (the Corporation) was incorporated on May 15, 2001 under *The Business Corporations Act* (Saskatchewan), for the sole purpose of acquiring a group of companies (the RSL Group) which collectively provides a full range of data and voice telecommunications services and products, including high-speed data networking, internet access, hosting services, web design, long distance service and local phone service, to business customers located in British Columbia, Alberta, Ontario and Quebec. The Corporation is a wholly-owned subsidiary of SaskTel Investments Inc. (SKTII), the ultimate parent corporation of which is Saskatchewan Telecommunications Holding Corporation (Holdco). The financial results of the Corporation are included in the consolidated financial statements of Holdco.

The Corporation was originally formed under the name of Langenburg Holding, Inc. Its name was changed to Navigata Holding, Inc. effective February 4, 2002, and it concurrently undertook the re-branding of the operating name of its subsidiary group from RSL COM Canada to Navigata Communications.

When the Corporation acquired the RSL Group on August 30, 2001, the business plan contemplated that additional investment would be required. In order to achieve the current business plan, additional investment will be required until 2004. Should the Corporation not receive continued support from SKTII, it may not be able to continue as a going concern and realize its assets and pay its liabilities as they fall due.

Note 2 -- Comparative information

The comparative information presented in these consolidated financial statements is for the period from May 15, 2001 (date of incorporation) to December 31, 2001, and includes the results of operations from the RSL Group from August 30, 2001 (see Note 1). The current period represents the Corporation's first full year of operations. 2001 figures have been reclassified to conform to current year's presentation.

Note 3 -- Summary of significant accounting policies

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in Canada, and in conformity with prevailing practices in the Canadian telecommunications industry.

Basis of consolidation

These consolidated financial statements include the accounts of the Corporation and its wholly owned subsidiaries with all significant intercompany transactions and balances being eliminated. Prior to January 1, 2002, the Corporation's subsidiaries were RSL COM Canada Holdings Inc., RSL COM Canada Inc., TLW Holdings Inc., MK Telecom Network Holdings Inc. and MK Telecom Network Inc. On January 1, 2002, the Corporation amalgamated under the *Canada Business Corporations Act* all of its subsidiaries into a single wholly-owned subsidiary named Navigata Communications Inc.

Property, plant and equipment

Property, plant and equipment is recorded at cost including materials, services and direct labour.

Depreciation and amortization of property, plant and equipment is provided for using the straight-line method at composite rates estimated to reduce the cost of the assets to the estimated salvage values over the average service lives of the assets. Property, plant and

equipment is written down to its net recoverable amount when such amount is less than its net carrying amount.

With respect to property, plant and equipment acquired, constructed or developed over time, the Corporation follows the policy of capitalizing related equipment, construction, development and installation costs as plant under construction. These costs are then depreciated and amortized on a basis consistent with the Corporation's depreciation and amortization policy from the date the asset is substantially completed and put into productive use.

Intangible assets
Intangible assets are recorded at cost of acquisition or development, including where applicable direct development costs, overhead costs directly attributable to development activity and betterment costs. Intangible assets with a finite useful life are amortized using the straight-line method at rates that will reduce the cost to any estimated residual value over the estimated useful life, and are written down to their net recoverable amount when such amount is less than their net carrying amount.

Employee benefit plans
The Corporation has certain defined benefit plans providing pension benefits to employees. The Corporation accrues its obligations under these defined benefit plans and the related costs, net of plan assets. The cost of benefits is actuarially determined using the projected benefit method prorated on service and management's best estimates of actuarial assumptions. The discount rate used to determine the accrued benefit obligation is determined by reference to market interest rates at the measurement date on high-quality debt instruments with cash flows that match the timing and the amount of expected benefit payments. The fair value of plan assets is used to calculate the expected return on plan assets and any actuarial gains or losses thereon. The excess of the net actuarial gain or loss over 10% of the greater of the accrued benefit obligation and the fair value of plan assets is amortized over the average remaining service life of active employees.

Revenue recognition
Substantially all of the Corporation's revenues are derived from the provision of data and voice telecommunications services and products delivered by its operating subsidiary. Revenues from the sale of services are recognized based on customer usage as measured by the Corporation's switches or on a job or phase completion basis, as appropriate to the nature of the contractual agreement under which the services are provided. Revenues from the sale of products are recognized when such products are delivered and accepted by customers.

Stock-based compensation plan
The Corporation has a stock-based compensation plan for executives and certain senior managers. No compensation expense is recognized when stock options are issued. Consideration paid on exercise of stock options is credited to share capital.

Income taxes
The Corporation follows the asset and liability method of tax allocation accounting whereby future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantial enactment. The amount of future income tax assets recognized is limited to the amount that is estimated as more likely than not to be realized.

Use of estimates
The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. The inherent uncertainty involved in making such estimates and assumptions may impact the actual results reported in future periods.

Note 4 -- Business acquisitions

Effective October 15, 2002, the Corporation acquired the customer base and network assets of Entirety Communications Inc. (Entirety), a Vancouver Island based provider of internet access, hosting and web design services. The acquisition has been accounted for under the purchase method and the results of operations from Entirety have been included in the financial statements of the Corporation from October 15, 2002. The total consideration paid by the Corporation to acquire Entirety was $0.5 million. The fair value of the identifiable assets and liabilities acquired was $0.6 and $0.1 million respectively.

In the prior year, the Corporation acquired a 100% interest in the RSL Group, which collectively provided a full range of data and voice telecommunications services and products to business customers located in British Columbia, Alberta, Ontario and Quebec.

Note 5 -- Property, plant and equipment

Asset	Useful life
Plant and equipment	5 to 30 years
Office furniture, equipment and leaseholds	3 to 5 years

	Cost	**Accumulated depreciation and amortization**	**Net book value**	
			2002	2001
			(Thousands of dollars)	(Note 2)
Plant and equipment	$ 31,651	$ 4,337	**$ 27,314**	$ 29,930
Office furniture, equipment and leaseholds	3,418	1,187	**2,231**	1,881
Materials and supplies	823	-	**823**	1,131
Plant under construction	4,448	-	**4,448**	1,275
	$ 40,340	$ 5,524	**$ 34,816**	$ 34,217

Depreciation and amortization of property, plant and equipment during the year totalled $4,317,296 (2001 – $1,317,565). Property, plant and equipment includes assets under capital

leases of $10,569,683 (2001 – $10,542,428) and accumulated depreciation and amortization of $1,664,714 (2001 – $413,693).

Note 6 -- Intangible assets

	Cost	Accumulated amortization	Net book value	
			2002	2001
			(Thousands of dollars)	(Note 2)
Customer accounts	$ 808	$ 167	**$ 641**	$ 348
Spectrum licenses	400	4	**396**	-
	$ 1,208	$ 171	**$ 1,037**	$ 348

The cost of customer accounts acquired is being amortized over their estimated useful life of 3 years from date of acquisition, and the cost of spectrum licenses is being amortized over their remaining terms as at the date of acquisition of approximately 8 years. Amortization of these definite life intangible assets during the year totalled $161,066 (2001 – $9,939).

Note 7 -- Capital lease obligations

The capital lease obligations recorded in these consolidated financial statements reflect the present value of future minimum payments under these leases, discounted at the interest rates implicit in the leases. The interest rates implicit in these leases primarily range between 7.0% and 10.2% (2001 – 6.9% and 9.5%), with a weighted average of 8.2% (2001 – 8.1%). The lease agreements expire variously between 2003 and 2006. During the year, the Corporation acquired property, plant and equipment under capital leases at a cost of $27,255 (2001 – $80,084).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Future minimum payments under these leases in aggregate and the portion of such aggregate amount representing implied interest are as follows:

	2002	2001 (Thousands of dollars) (Note 2)
2002	**$ -**	$ 3,586
2003	**3,747**	3,697
2004	**3,686**	3,659
2005	**3,738**	3,711
2006	**2,557**	2,544
Aggregate future minimum lease payments	**13,728**	17,197
Portion representing implied interest	**2,729**	3,913
Capital lease obligations	**$ 10,999**	$ 13,284
Current portion	**$ 2,683**	$ 2,341
Long term portion	**8,316**	10,943
	$ 10,999	$ 13,284

Interest expense on capital lease obligations during the period totalled $1,262,604 (2001 – $435,048).

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Note 8 -- Employee benefit plans

The Corporation has certain defined benefit plans providing pension benefits to employees. Current service costs of these plans are charged to earnings on the basis of actuarial valuations, the most recent valuation being as of December 31, 2001. The results of this valuation have been extrapolated to December 31, 2002.

The actuarial valuation is measured using management's best estimates based on assumptions that reflect the most probable set of economic circumstances and planned courses of action. The estimates, therefore, involve risks that the actual amounts may differ materially from the estimates.

Information about the Corporation's employee benefit plans as at and for the periods ended December 31, 2002 and 2001, in aggregate, is as follows:

	Pension Benefit Plans		**Other Future Benefit Plan**	
(Thousands of dollars)	**2002**	2001 (Note 2)	**2002**	2001 (Note 2)
Accrued benefit obligation	**$ 11,867**	$ 9,312	**$ -**	$ 1,385
Plan assets at fair value	**8,477**	8,305	**-**	-
Funded status – deficit	**$ 3,390**	$ 1,007	**$ -**	$ 1,385
Accrued employee benefit liability	**$ 196**	$ 75	**$ -**	$ 329
Net pension expense (income)	**$ 943**	$ 207	**$ (319)**	$ 3
Employee contributions	**$ 606**	$ 187	**$ -**	$ -
Employer contributions	**$ 822**	$ 200	**$ 10**	$ 3
Benefits paid	**$ 347**	$ 95	**$ 10**	$ 3

Effective December 31, 2002, the Corporation ceased sponsorship of all future benefit plans other than pension. The cessation of sponsorship of the Other Future Benefit Plan has been accounted for as both a settlement and a curtailment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Economic assumptions	**Pension Benefit Plans**		**Other Future Benefit Plan**	
	2002	2001	**2002**	2001
Discount rate	**6.50%**	6.75%	-	6.75%
Expected long-term rate of return on plan assets	**7.00%**	7.00%	-	Not relevant
Inflation rate	**3%**	3%	-	Not relevant
Rate of compensation increase	**4% plus merit increases**	4% plus merit increases	-	Not relevant
Post-retirement index	**2%**	2%	-	Not relevant

Results from the latest actuarial valuation as at and for the full year ended December 31, 2002, and the major assumptions used in the valuation, with respect to the pension expense, accrued benefit obligation, plan assets and funded status are as follows. Comparative information has not been provided as 2002 is the first full year following the August 30, 2001 acquisition of the RSL Group.

Benefit expense	**Pension Benefit Plans**	**Other Future Benefit Plan**
(Thousands of dollars)	**2002**	**2002**
Current service cost	**$ 833**	**$ 204**
Interest cost	**728**	**107**
Expected return on plan assets	**(667)**	**-**
Amortization of net transitional obligation	**10**	**60**
Amortization of actuarial loss	**39**	**-**
Impact of settlement/curtailment	**-**	**(690)**
Net benefit expense (income)	**$ 943**	**$ (319)**

Accrued benefit obligation	**Pension Benefit Plans**	**Other Future Benefit Plan**
(Thousands of dollars)	**2002**	**2002**
Accrued benefit obligation, beginning of year	**$ 9,584**	**$ 1,385**
Current service cost	**1,439**	**204**
Interest cost	**728**	**107**
Benefits paid	**(347)**	**(10)**
Impact of settlement/curtailment	**-**	**(1,686)**
Impact of change in discount rate	**463**	**-**
Accrued benefit obligation, end of year	**$ 11,867**	**$ -**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Plan assets	**Pension Benefit Plans**	**Other Future Benefit Plan**
(Thousands of dollars)	**2002**	**2002**
Fair value of plan assets, beginning of year	**$ 8,305**	**$ -**
Actual return on plan assets	**(909)**	**-**
Employer contributions	**822**	**10**
Employee contributions	**606**	**-**
Benefits paid	**(347)**	**(10)**
Fair value of plan assets, end of year	**$ 8,477**	**$ -**

Accrued benefit liability	**Pension Benefit Plans**	**Other Future Benefit Plan**
(Thousands of dollars)	**2002**	**2002**
Funded status - deficit	**$ (3,390)**	**$ -**
Unamortized transitional obligation	**(358)**	**-**
Unamortized actuarial loss	**3,552**	**-**
Accrued benefit liability	**$ (196)**	**$ -**

Note 9 -- Share capital

Authorized: Unlimited Class A Common Shares without par value

Issued: Class A Common Shares:

	Number of shares	**Amount**
Issued to SKTII on incorporation and Balance – December 31, 2001	2,000,000	$ 20,000,000
Issued to SKTII for cash during the year	1,400,000	14,000,000
Balance – December 31, 2002	3,400,000	$ 34,000,000

Note 10 -- Share option plan

At December 31, 2002 the Corporation has a share option plan. Under the plan, the Corporation may grant options to plan members for up to 1,000,000 common shares. The exercise price of each option equals the greater of $10 and the fair market value of the Corporation's shares on the date the option is granted. The maximum term of the options is 1 year.

A summary of the status of the Corporation's share option plan as at December 31, 2002 and 2001, and changes during the periods ended on those dates, is presented below:

	Number of shares	Average exercise price	Number of shares	Average exercise price
	2002		2001 (Note 2)	
Options outstanding, beginning of period	**250,000**	**$ 10**	-	$ -
Granted	**400,000**	**10**	250,000	10
Exercised	**-**	**-**	-	-
Expired	**250,000**	**10**	-	-
Options outstanding, end of period	**400,000**	**$ 10**	250,000	$ 10

The option plan is subject to revision or revocation at the discretion of the Navigata Board of Directors. However, the Corporation expects there to be between 400,000 and 1,000,000 options granted and outstanding throughout the period ending January 15, 2004.

Note 11 -- Income taxes

The amount recorded as a provision for income taxes for each of the periods ended December 31, 2002 and 2001 represents a provision in respect of federal large corporations tax. Neither the Corporation's immediate parent SKTII, nor its ultimate parent Holdco, is subject to Federal or Provincial income taxes in Canada, as Holdco is a Saskatchewan Provincial Crown corporation. The Corporation, however, is subject to Federal and Provincial income taxes in Canada, as a consequence of the Corporation's incentive stock option plan (see Note 10).

The Corporation has available non-capital losses for income tax purposes of approximately $69,466,000 (2001 – $48,264,000), which are available to be carried forward to reduce taxable income in future years, and expire as follows:

	(Thousands of dollars)
2003	$ 337
2004	34
2005	698
2006	9,778
2007	37,398
2008	2,498
2009	18,723
	$ 69,466

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Temporary differences as at December 31, 2002 between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases deductible against taxable income of future years, including non-capital losses, are as follows:

	(Thousands of dollars)
Property, plant and equipment	$ (2,640)
Intangible assets	59
Accrued employee benefit liability	196
Reserves, provisions and other	1,686
Non-capital tax losses carried forward	69,466
Net temporary differences	$ 68,767

The future income tax benefit which may arise as a result of these net temporary differences has not been recognized in these consolidated financial statements.

Note 12 -- Items not affecting cash from operations

	2002	2001 (Thousands of dollars) (Note 2)
Depreciation and amortization	**$ 4,478**	$ 1,327
Loss (gain) on disposal of property, plant and equipment	**(13)**	4
Pension income of defined benefit plan	**(208)**	-
	$ 4,257	$ 1,331

Note 13 -- Net change in non-cash working capital items

	2002	2001 (Thousands of dollars) (Note 2)
Accounts receivable	**$ (1,420)**	$ 261
Prepaid expenses	**(168)**	1,141
Accounts payable and accrued liabilities	**1,812**	(2,800)
Deferred revenues	**(1,435)**	2,927
	$ (1,211)	$ 1,529

Note 14 -- Financial instruments

Credit risk
The Corporation has a sufficiently diversified customer base that it is not subject to any significant concentration of credit risk.

Currency exposure
The Corporation has no significant exposure to foreign currency fluctuations.

Fair value
The carrying values of cash, accounts receivable and accounts payable and accrued liabilities reflected in the consolidated statement of financial position approximate their respective fair values due to the short-term nature of these instruments.

The carrying value of obligations under capital leases approximates their fair value as the interest rates implicit in the leases approximate current incremental borrowing rates for similar borrowing arrangements.

Note 15 -- Related party transactions

Included in these financial statements are transactions with various Saskatchewan Crown corporations, departments, agencies, boards and commissions related to Crown Investments Corporation of Saskatchewan by virtue of common control by the Government of Saskatchewan and non-Crown corporations and enterprises subject to joint control and significant influence by the Government of Saskatchewan (collectively referred to as "related parties").

Routine operating transactions with related parties are settled at prevailing market prices under normal trade terms. Other transactions in the normal course of operations are recorded at the exchange amount, which is the amount of consideration established and agreed to by the related parties. Transactions and amounts outstanding with related parties at period end are as follows:

	2002	2001
	(Thousands of dollars)	(Note 2)
Operating revenues	**$ 2,310**	$ -
Operating expenses	**186**	-
Accounts receivable	**291**	-
Accounts payable	**364**	-
Deferred revenues	**1,834**	3,600
Property, plant and equipment expenditures	**414**	-

Note 16 – Commitments

The Corporation has entered into various agreements providing it with a long-term supply of telecommunication network facilities, including network usage agreements with minimum volume requirements, and also leases certain office premises and equipment under operating leases. The future minimum payments under these agreements and leases in each of the next five years are as follows:

	(Thousands of dollars)
2003	$ 15,599
2004	12,492
2005	7,176
2006	3,291
2007	2,255